REGAL RESOURCES LIMITED

ACN 106 294 106

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Directors
Rohan Gillespie – Chairman
Angus Edgar – Managing Director
Bretton Cooper – Non-Executive Director

Company Secretary
Adrien Wing

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ABN 23 106 294 106
ACN 106 294 106

ASX Code:
Ordinary shares - RER
Listed options - REROB

Annual report
for the financial year ended 30 June 2010

Review of Activities

Underground Coal to Liquids ("UCTL")

During the year, the Company progressed its initial stage of testing of the UCTL™ process at its Oak Park Pilot Plant. The results to date have led to a refinement of the theoretical UCTL process conditions and a number of alterations and modifications have been identified for the plant to more closely match these process requirements.

The UCTL trial at Oak Park was configured to test the UCTL technology in-situ within the 20 metre thick coal seam at 90 metres depth. Given the potential for application of UCTL on surface (such as upgrading bitumen derived from Canadian oil sands), it was decided to test UCTL on site within a surface reaction vessel (SRV) before the in-situ test.

The initial stage of testing was conducted with water at supercritical conditions, being 375 degrees C and 22MPa pressure. This water was sprayed through a number of nozzle configurations onto coal samples held within the SRV. As expected, given the original design of the SRV, the initial test results indicated the test conditions within the SRV were unable to replicate the process conditions specified in the UCTL patent. The two key conditions required are the ability to direct the spray within a block of coal (to avail of its insulative effect) and to allow the application of initiation chemicals (to pre-heat the reaction zone).

Testing was put on hold to allow design of the SRV modifications to be conducted. These include the mechanism for addition of chemical injection equipment, pipework configuration and insulation improvements to maximize the water temperature capacity of the plant, improvements to the method of coal placement within the test vessel, and installation of additional pressure and temperature instruments and product sampling points to enable more precise monitoring of process conditions. Specialist process design consultants were engaged to assist with the design of the modifications.

The Company now intends to undertake a revised development program of its UCTL technology and embark on such development within its existing financial capacity. It is anticipated that further research and testing of the behaviour and reactive properties of supercritical water spray, and the effects of chemical and catalyst additives will be undertaken within a laboratory environment prior to re-commencing testing activities at the Oak Park site.

Update on W10

W10 is a mix of reagents that have the potential to upgrade a range of carbonaceous materials, including coal, oil sands and oil shale. Following on from some earlier testing in Australian laboratories on oil sands, in May 2010 Regal commissioned testing on its W10 technology at an independent Canadian laboratory.

The purpose of the Canadian laboratory's tests was to ascertain whether W10 may have a role in the separation and / or upgrading of bitumen derived from Canadian oil sands. The laboratory phase of the Canadian laboratory's initial testing of W10 for both separation and upgrading was completed towards the end of June with the Canadian laboratory then involved in analysis and report writing.

Regal has received a report from the Canadian laboratory on "separation". Regal has also received feedback on a second report focusing on the potential "upgrading" application for W10. Although W10 shows potential, the estimated input costs of the W10 constituents are a significant challenge for developing a viable product in the current market. Upon review and internal analysis, Regal has decided to put further W10 testing on hold.

Enhanced Biogenic Methane Ltd

The Company entered into an arrangement with Enhanced Biogenic Methane Ltd (EBM) to progress plans for the trial of the patent pending biogenic methane enhancement (BME) technology at its Oak Park Pilot Plant.

The Company has a 50 / 50 joint venture with EBM on ELs 4507 and 4510 whereby EBM has the right to identify and develop areas within these tenements for the production of coal seam methane on areas that do not conflict with the Company's UCTL™ and SCTL technologies.

Baseline analysis of the coal and formation water has established the chemistry present with bacteriology results on the formation water is encouraging. DNA analysis of the organisms present in the coal continues with the results expected to assist EBM to refine the second and third phases of the trial. DNA information enables the technology to target specific gas forming anaerobic organisms.

EBM has engaged GHD to assist with its regulatory approval process. Following the completion of a detailed risk assessment and subsequent documentation EBM hopes to make a formal submission to the regulator in August 2010. As a result of staff changes at GHD a delay has been incurred in the finalisation of documentation. EBM anticipates the Victorian Government to be in a position to grant approval for the BME trial in September 2010.

Engineering design for the well head and down hole sections are near completion. EBM has engaged the services of the Carnot Group, Melbourne, to undertake design and sourcing requirements. Associated infrastructure should be completed in late August 2010. A drilling contractor will be mobilised to the well at Oak Park in early September to commence re-opening the bottom sections of the well before inserting a perforated liner and screen to maximise coal surface contact. The liner is required to counter the swelling characteristics of the coal and ensure the technology has optimum contact surface area of the coal.

EBM anticipates that, with relevant regulatory approval, the BME trial equipment will be commissioned September 2010. The first phase of the trial will commence immediately after consent from the Department of Primary Industry, Victoria.

The BME trial will cover three phases to examine specific aspects of the technology. Each phase is planned to run for a minimum of 45 days. Final data collection based on this time frame is planned for January 2011. The Western Research Institute of Wyoming, USA, who is at the forefront of this technology, will then analyse the data and report back to EBM.

Farm-In Agreement signed with Greenpower Energy Limited

During the year, the Company, via its 100% owned subsidiary MOL Gippsland Limited ("MOL"), entered into a Farm-In Agreement with Greenpower Energy Limited ("Greenpower"). The Farm-In Agreement is conditional upon the successful renewal of Exploration Licence 4860, currently undergoing the renewal process with the Department of Primary Industries. Exploration Licence 4860 is 154 km^2 and is located 10km from Traralgon.

The objective of the farm-in is to establish the existence of a reserve of coal / carbonaceous material sufficient to support a commercial operation of the UCTL process ("the Agreed Work Plan").

The key terms of the Agreement are:

- Regal has the right to earn a 70% interest in the Exploration Licence through the funding of the Agreed Work Plan, estimated to be approximately $1.5 million
- The earn-in commences upon the successful renewal of Exploration Licence 4860, with Greenpower and MOL working together to secure the licence renewal and determine the Agreed Work Plan
- MOL will receive a 10% royalty and $1 million repayment of their technical expenditure out of expected future production flows from the tenement
- MOL to fund the Rehabilitation Bond with the DPI
- MOL to pay Greenpower an amount of the first year's work plan expenditure (to be held in trust) to be offset as work is performed
- MOL has conditionally agreed to assign half of its interest to a third party which is in the process of acquiring rights to technology that has the potential to convert lignite to methane "in-situ". It is proposed such technology would be made available via sub-license to the joint venture

Western Australia Mining Operations

Farm-in and Joint Venture Agreements

During the year, the Company entered into two Farm-In and Joint Venture Agreements on its exploration projects that provided $90,000 in cash, qualifying expenditure of $1.5 million (inclusive of a minimum expenditure of $350,000) and royalties of up to $2 million.

On its Mt Zephyr, Mt Korong and Mount Goose projects, the Company entered into an agreement with Silverlink Nominees Pty Ltd ("Silverlink JV"). On its Eucalyptus and Malcolm projects, it entered into an agreement with Ozmay Pty Ltd (Ozmay JV).

The key terms of the Farm-In and Joint Venture Agreements are:

	Silverlink JV	Ozmay JV
Farm-in:	Earn 90% (39/4361-63, 39/4365-75, 39/4426, 39/1196, 39/4828-33, 39/4610-16, 39/1197, 37/888, 39/1280 & 39/4917)	Earn to 80% 39/4623, 39/991, 39/4622, 39/966, 39/4636, 39/914, 39/1064 & 39/4624-35) Earn 90% in leases 39/480, 39/115, 39/292, 39/275, 39/4317, 39/4556
Consideration and Farm-In terms:	• $45,000 cash • Qualifying expenditure of $650,000 inclusive of $175,000 minimum expenditure program	• $45,000 cash • Qualifying expenditure of $850,000 inclusive of $175,000 minimum expenditure program
Royalty:	2.5% royalty capped at $1,350,000	2.5% royalty capped at $650,000
Manager	Silverlink Pty Ltd	Ozmay Pty Ltd

Menzies Joint Venture Agreement

During the year, the Company entered into a Joint Venture Agreement with Black Mountain Gold Pty Ltd ("BMG"), a subsidiary of Intermin Resources Ltd, who can earn up to an 80% interest in the Menzies Project with expenditure of $1.2m over three years.

During the year, BMG commenced aircore drilling on a number of new targets and known resources. The aircore technique proved inadequate for the ground conditions, and BMG has mobilised an RC Rig to complete the programme. Results are pending.

Yerilla Project

During the year, the Company disposed of its Yerilla Project for $30,000 cash and royalty on gold recovered of up to $500,000.

Directors' Report

The Directors of Regal Resources Limited submit herewith the annual financial report of the Company and its controlled entities (the "consolidated entity") for the financial year ended 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Rohan Gillespie BEng (Civil) MBA
Angus Edgar
Bretton Cooper BEc (Hons), LLB (Hons)
Anthony Short BPE, B.Comm., GRAD DIP FIN, MAICD (resigned 15 January 2010)

Company Secretary:

Adrien Wing B. Bus, CPA

Director Details

Rohan Gillespie BEng (Civil) MBA
Non-Executive Chairman - (Appointed 16 June 2009)

Experience:

Rohan Gillespie is Managing Director of Energy Infrastructure and Resources Limited.

Rohan previously held senior roles with BHP Billiton in its engineering, coal and petroleum divisions and most recently as Vice President and Chief Operating Officer leading the coal bed methane business. Rohan has also been a credit executive with the Commonwealth Bank and held a corporate development role with two energy start-ups; Ceramic Fuel Cells and Renewable Energy Corp.

Angus Edgar
Managing Director – (Appointed 20 March 2009)

Experience:

Angus Edgar has been employed in the Finance/Stockbroking industry for 25 years since 1985 with the majority of that time employed with various share broking companies. During that period he has been directly involved with providing corporate advisory services to private and ASX listed companies and the listing of several new companies onto the ASX.

Directorships held in other listed companies over the last 3 years:
- Transol Corporation Ltd, appointed 28 May 2003;
- Photo-Me Australia Ltd, appointed 9 March 2007, resigned 18 March 2009.

Bretton Cooper BEc (Hons) LLB (Hons)
Non-Executive Director – (Appointed 16 June 2009)

Experience:

Bretton Cooper has 30 years experience in the funding and development of new business and commercialising new technologies. Bretton conceived and developed the $200 million International Park Group and initiated the development of the Australian Sustainable Investment Fund with James Feilding Group (now Mirvac).

Bretton has been involved in the commercialisation of the Aramax building system and was an initial shareholder and director of Regional Infrastructure Pty Ltd (a developer of regional saleyards) and Energy Infrastructure and Resources Limited, a company that specializes in incubating low emission energy businesses focusing on coal bed methane, carbon capture and storage, renewable electricity and clean coal.

Bretton has core competencies in designing and implementing strategic partnerships with large and prominent companies to implement project opportunities in the infrastructure and low emission areas.

Company Secretary

Adrien Wing - Company Secretary B. Bus, CPA (Appointed 20 March 2009)

Experience:

Adrien Wing is CPA qualified. He practised in the audit and corporate divisions of a chartered accounting firm before working with a number of public companies on the Australian Securities Exchange as a corporate/accounting consultant and company secretary.

Review of operations

The consolidated comprehensive loss after income tax amounted to $11,420,634 (2009: $1,918,719). This result includes impairment expenses for intangible assets of $10,238,661 (2009: $nil) and exploration expenditure of $511,089 (2009: $1,341,577).

A detailed review of activities is made on page 3 of this report.

Principal activities

The principal activities of the consolidated entity are:

(i) to identify and acquire an interest in and value–add to mineral exploration and mining opportunities in both Australia and overseas;
(ii) to commercialise intellectual property for the application of an Underground Coal to Liquid ("UCTL") and a separate hydrocarbon enhancement ("W10") process; and
(iii) to seek other opportunities for the benefit of increasing shareholder returns.

Changes in state of affairs

During the financial year the following significant changes in the state of affairs of the Company occurred:

The Company's issued capital increased to $27,915,428 (2009: $25,506,390) due to the issue of 56,440,000 (2009: 422,258,346) ordinary shares in the Company during the course of the year, plus the addition of 18,330,000 (2009: 483,006,346) options, exercisable at 6 cents each.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation. The Board believes that the Company has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Company.

Dividends

No amounts were paid or declared by way of dividend by the Company. The Directors do not recommend payment of a dividend in respect of the financial year ended 30 June 2010.

Share options

During or since the end of the financial year, no options were granted to Directors and Executives of the Company.

At the date of this report, the following table details options on issue:

Description	Number of options	Exercise price	Expiry date
Options quoted on the ASX – REROB	318,006,346	6 cents	6 November 2011
Options unlisted	183,330,000	6 cents	17 March 2014

Indemnification and insurance of officers and auditors

The Company has entered into Deeds of Insurance, Indemnity and Access with each of the Directors under which the Company agrees to indemnify the Directors against certain liabilities incurred by the Directors while acting as Director of the Company and to insure the Directors against certain risks to which the Directors are exposed to as a Director of the Company. No indemnification has been provided by the Company to the auditors.

Directors' meetings

The following table sets out the number of Directors' meetings during the financial year and the number of meetings attended by each director. During the financial year, seven such board meetings were held. No nomination and remuneration committee meetings and no audit committee meetings were held as per the explanation given in the Company's corporate governance statement.

	Board of Directors	
Directors	**Held**	**Attended**
Mr. Rohan Gillespie	7	7
Mr. Angus Edgar	7	6
Mr. Bretton Cooper	7	7
Mr. Anthony Short (resigned 15 January 2010)	3	3

In addition to attending the meetings, the Directors passed four (4) circulating resolutions.

REMUNERATION REPORT

Remuneration Policy – (audited)

The remuneration policy of Regal Resources Ltd has been designed to align director and executive objectives with shareholder and business objectives. The Board of Regal Resources Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the consolidated entity, as well as create goal congruence between Directors, Executives and shareholders.

The Board manages the remuneration policy, setting the terms and conditions for Directors and other senior Executives. Remuneration including fringe benefits, options and performance incentives may be paid dependent upon individual performance, company performance, contract terms and the discretion of the Board.

Directors and executive remuneration is detailed below in this director's report.

No formal contract of employment exists with any director or company secretary.

The consolidated entity has the following arrangements in place with director related entities:

- The Board resolved (with the exclusion of Mr Angus Edgar) to appoint Mr Angus Edgar as Managing Director for a period up until 31 December 2009, or until otherwise resolved. Mr Edgar currently remains Managing Director and is entitled to $14,000 plus GST per month.

- Refer to note 23 of the financial statements for details on related party transactions during the year.

All remuneration paid to Directors and Executives is valued at the cost to the consolidated entity and expensed.

The board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of director fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting.

Fees for Non-executive Directors are not linked to the performance of the consolidated entity. However to align Directors' interests with shareholder interests, Directors are encouraged to hold shares in the Company and may be offered options at the discretion of the board.

The nature and amount of compensation as detailed in this report reflects the remuneration policy above. Since remuneration is fixed there is no change in remuneration as a result of consolidated entity performance during the reporting period. Due to the short history of the Company as a listed entity, there is at present no meaningful correlation between the Executive and Director remuneration and the performance of the consolidated entity.

Names and positions held of Directors and Executives in office at any time during the past two financial years are:

Directors

Mr. Rohan Gillespie	Chairman – appointed 16 June 2009
Mr. Angus Edgar	Managing Director - appointed 20 March 2009
Mr. Bretton Cooper	Non-Executive Director - appointed 16 June 2009
Mr. Anthony Short	Non-Executive Director - resigned 15 January 2010
Mr. Matthew Sullivan	Managing Director – resigned 20 March 2009
Mr. Gordon Sklenka	Non-Executive Director - resigned 16 June 2009

Executives

Mr. Adrien Wing	Company Secretary – appointed 20 March 2009
Mr. Roland Berzins	Company Secretary – resigned 16 June 2009
Mr. David Ballantyne	Company Secretary – resigned 25 March 2009

Directors' Compensation – (audited)

	Primary			Post Employment	Equity	Total	% Ave Performance Based
	Director Fees	Consulting fees	Bonus	Super-annuation	Options		
2010	$	$	$	$	$	$	
Mr. Anthony Short	-	-	-	-	-	-	Nil
Mr. Angus Edgar	-	168,000	-	-	-	168,000	Nil
Mr. Bretton Cooper	22,000	-	-	1,980	-	23,980	Nil
Mr. Rohan Gillespie	22,000	-	-	1,980	-	23,980	Nil
	44,000	168,000	-	3,960	-	215,960	

2009	Primary Director Fees $	Consulting fees $	Bonus $	Post Employment Super-annuation $	Equity Options $	Total $	% Ave Performance Based
Mr. Anthony Short	12,000	51,000	-	4,320	-	67,320	Nil
Mr. Angus Edgar	-	42,000	-	-	-	42,000	Nil
Mr. Bretton Cooper	-	-	-	-	-	-	Nil
Mr. Rohan Gillespie	-	-	-	-	-	-	Nil
Mr. Matthew Sullivan	12,778	-	-	1,150	-	13,928	Nil
Mr. Gordon Sklenka	12,000	47,048	-	4,320	-	63,368	Nil
	36,778	140,048	-	9,790	-	186,616	

Executives' Compensation - (audited)

2010	Primary Salary & Fees $	Consulting fees $	Bonus $	Post Employment Super-annuation $	Equity Options $	Total $	% Ave Performance Based
Mr. Adrien Wing	-	66,800	-	-	-	66,800	Nil

2009	Primary Salary & Fees $	Consulting fees $	Bonus $	Post Employment Super-annuation $	Equity Options $	Total $	% Ave Performance Based
Mr. Roland Berzins	-	84,619	-	2,160	-	86,779	Nil
Mr. David Ballantyne	-	-	-	-	-	-	Nil
Mr. Adrien Wing	-	21,200	-	-	-	21,200	Nil
	-	105,819	-	2,160	-	107,979	

Share-based Compensation (audited)

Options

Options granted carry no dividend or voting rights and can have varied contractual lives.

No Options were issued to Directors and Executives during the year. Options were issued to employees in prior years as part of their remuneration.

Options (continued)

The following table discloses the value of options which lapsed during the prior year.

		Number of Options granted	Exercise price per share	Value at grant date	Value of Options included in remuneration in prior years	Date Lapsed	% of total remuneration consisting of options
			$	**$**	**$**		
Executives							
Mr. P Peebles	2007	500,000	0.20	29,000	29,000	30/11/08	17.35
Mr. D Foster	2007	500,000	0.20	29,000	29,000	30/11/08	17.17

No employee incentive options were issued during the financial years ended 30 June 2010 or 2009.

	Number of options	Weighted Average Exercise price (cents)	Number of options	Weighted Average Exercise price (cents)
	2010		**2009**	
Balance at beginning of the financial year	-	-	1,000,000	20
Granted during the financial year	-	-	-	-
Cancelled during the financial year	-	-	-	-
Lapsed during the financial year	-	-	1,000,000	20
Balance at end of the financial year	-	-	-	-
Exercisable at end of the financial year	-	-	-	-

Equity holdings

Number of Shares and Options held by Directors and Specified Executives at the date of this report:

Directors	Shares	Options
Mr. Angus Edgar	90,000,000	75,487,200
Mr. Bretton Cooper *	90,330,000	45,000,000
Mr. Rohan Gillespie *	90,330,000	45,000,000
Specified Executives		
Mr. Adrien Wing	1,200,000	5,301,429

* 90,330,000 shares and 45,000,000 options are owned by Energy Infrastructure and Resources Ltd. The ownership of this company is held by interests associated with Mr. Gillespie (42% approximate holding) and Mr. Cooper (28% approximate holding).

NON – AUDIT SERVICES

The Board considers any non audit services provided by the auditor in order to be satisfied that the services provided are compatible with, and do not compromise, the auditors independence requirements of the *Corporations Act 2001* and to ensure:

- All non audit services are subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectives of the auditor; and

- The non audit services provided do not undermine the general principles relating to the auditors independence as set out in APES 110: Code of Ethics for professional Accountants and do not involve reviewing or auditing the auditors own work, acting as an advocate for the Company or jointly sharing risk and reward.

Details of the amount paid or accrued to the auditor of the Company, PKF for 2010 and Ord Partners for 2009, and their related practices for audit and non audit services provided during the year are set out below:

	2010	**2009**
	$	**$**
Audit and review of financial reports	32,000	50,192
Other services	-	-
Total	32,000	50,192

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings against the Company, or to intervene in any proceedings to which the Company is a part, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company under Section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 13.

Signed in accordance with a resolution of the Directors made pursuant to Section 298 (2) of the *Corporations Act 2001.*

On Behalf of the Directors

A Edgar
Managing Director

Melbourne, 27 August 2010

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Regal Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Regal Resources Limited and the entities it controlled during the year.

J A Mooney
Partner
PKF

27 August 2010
Melbourne

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF REGAL RESOURCES LIMITED

PKF

Chartered Accountants
& Business Advisers

Report on the Financial Report

We have audited the accompanying financial report of Regal Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising Regal Resources Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(c), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Regal Resources Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(c).

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Chartered Accountants
& Business Advisers

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the period ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Regal Resources Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

PKF

27 August 2010
Melbourne

J A Mooney
Partner

Directors' declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and giving a true and fair view of the financial position as at 30 June 2010 of the consolidated entity and of its performance for the year ended on that date;

(c) the remuneration disclosures contained in the Remuneration Report in the Directors' Report comply with section 300A of the *Corporations Act 2001*;

(d) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 2(c); and

(e) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of *the Corporations Act 2001*.

On behalf of the Directors

A Edgar
Managing Director

Melbourne, 27 August 2010

	Note	CONSOLIDATED 2010 $	2009 $
Interest income	5a	82,764	36,169
Profit/(loss) on sale of assets	5b	-	(10,590)
Other income	5a	9,219	12,088
Mining project expenditure expense		-	(92,485)
Employee benefits expense		(218,948)	(76,174)
Finance costs		-	(11,085)
Depreciation expense		-	(17,519)
Consulting expense		(251,609)	(276,983)
Occupancy expense		(44,747)	(29,503)
Impaired exploration expenditure	5b	(511,089)	(1,341,577)
Impaired intangible assets	5b	(10,238,661)	-
Loss on sale of tenements	5b	(12,594)	(135,819)
Compliance & regulatory costs		(61,280)	(152,294)
Other expenses		(355,562)	(207,314)
Loss before income tax expense		**(11,602,507)**	**(2,303,086)**
Income tax benefit	6	309,953	135,237
Loss for the year		**(11,292,554)**	**(2,167,849)**
Other comprehensive income:			
Net change in fair value of available-for-sale financial assets		(128,080)	249,130
Income tax on other comprehensive income/(loss)		-	-
Total comprehensive loss		**(11,420,634)**	**(1,918,719)**
Loss per share:			
Basic (cents per share)	20	(1.90)	(0.86)
Diluted (cents per share)	20	(1.90)	(0.86)

The accompanying notes form part of these financial statements.

	Note	CONSOLIDATED 2010 $	2009 $
Current assets			
Cash and cash equivalents	10	2,491,220	3,976,639
Receivables	11	399,304	457,218
Other current assets	12	26,134	15,506
Total current assets		**2,916,658**	**4,449,363**
Non-current assets			
Receivables	11	1,998	1,998
Financial assets	13	381,600	509,680
Intangible assets	14	-	6,089,066
Exploration, evaluation and development expenditure	16	12,906,709	13,372,952
Total non-current assets		**13,290,307**	**19,973,696**
Total assets		**16,206,965**	**24,423,059**
Current liabilities			
Trade and other payables	17	418,946	188,277
Total current liabilities		**418,946**	**188,277**
Total liabilities		**418,946**	**188,277**
Net assets		**15,788,019**	**24,234,782**
Equity			
Issued capital	18	27,915,428	25,506,390
Reserves	19	6,917,957	6,481,204
Accumulated losses		(19,045,366)	(7,752,812)
Total equity		**15,788,019**	**24,234,782**

The accompanying notes form part of these financial statements.

Consolidated For the year ended 30 June 2010	Attributable to equity holders				
	Ordinary Shares	Asset Revaluation Reserve	Options Premium Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
At beginning of year	25,506,390	249,130	6,232,074	(7,752,812)	24,234,782
Total comprehensive loss for the year	-	(128,080)	-	(11,292,554)	(11,420,634)
Share Placement	2,500,200	-	-	-	2,500,200
Share Purchase Plan	39,600	-	-	-	39,600
Options Issue	-	-	564,833	-	564,833
Shares issue expenses	(130,762)	-	-	-	(130,762)
At end of year	**27,915,428**	**121,050**	**6,796,907**	**(19,045,366)**	**15,788,019**

Consolidated For the year ended 30 June 2009	Attributable to equity holders				
	Ordinary Shares	Asset Revaluation Reserve	Options Premium Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
At beginning of year	10,674,292	-	236,302	(5,642,963)	5,267,631
Total comprehensive loss for the year	-	249,130	-	(2,167,849)	(1,918,719)
Share Placement	5,187,000	-	-	-	5,187,000
Acquisition of WVE	6,400,000	-	3,952,800	-	10,352,800
Settlement of liabilities	492,042	-	-	-	492,042
Acquisition of Magma	3,500,000	-	1,490,500	-	4,990,500
Expired Options transferred	-	-	(58,000)	58,000	-
Options Issue	-	-	250,000	-	250,000
Shares issue expenses	(746,944)	-	360,472	-	(386,472)
At end of year	**25,506,390**	**249,130**	**6,232,074**	**(7,752,812)**	**24,234,782**

The accompanying notes form part of these financial statements.

	NOTE	CONSOLIDATED 2010 $	2009 $
Cash flows from operating activities			
Interest received		81,599	36,169
Payments to suppliers and employees		(959,490)	(1,100,186)
Interest and other costs of finance paid		-	(11,085)
Research and development tax grants		445,190	-
Refund of tax withheld from interest		9,219	-
Net cash used in operating activities	24	(423,482)	(1,075,102)
Cash flows from investing activities			
Payment for property, plant & equipment		-	(609)
Payment for intangibles		(3,362,269)	(67,729)
Proceeds from sale of plant & equipment		-	39,200
Proceeds from sale of tenements		40,000	1
Purchase of controlled entities (net of cash acquired)	25	-	(993,573)
Payment for financial assets		-	(254,400)
Proceeds/(Payment) for deposits		17,987	(104,720)
Payment for exploration, evaluation and development		(147,440)	(229,452)
Net cash used in investing activities		(3,451,722)	(1,611,282)
Cash flows from financing activities			
Proceeds from issues of equity securities		2,539,800	5,437,000
Proceeds from borrowings		-	465,000
Repayment of borrowings		-	(15,000)
Repayment of finance lease liabilities		-	(30,784)
Payment for share issue costs		(150,015)	(386,472)
Net cash provided by financing activities		2,389,785	5,469,744
Net (decrease)/increase in cash and cash equivalents		(1,485,419)	2,783,360
Cash and cash equivalents at the beginning of the financial year		3,976,639	1,193,279
Cash and cash equivalents at the end of the financial year	24	**2,491,220**	**3,976,639**

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of Regal Resources Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on the date of the signing of the Directors' declaration.

The financial report covers the consolidated entity of Regal Resources Limited and its controlled entities. Regal Resources Limited is a Company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

During the year ended 30 June 2010, the Federal Government introduced amendments to the *Corporations Act 2001*, removing the requirement for consolidated groups to include full parent entity financial statements when preparing consolidated financial statements. Royal Assent for these amendments was received on 28 June 2010. The consolidated entity has adopted these amendments for the year ended 30 June 2010.

The principal activities of the consolidated entity are:

(i) to identify and acquire an interest in and value–add to mineral exploration and mining opportunities;
(ii) to commercialise intellectual property for the application of an Underground Coal to Liquid ("UCTL") and a separate hydrocarbon enhancement ("W10") process; and
(iii) to seek other opportunities for the benefit of increasing shareholder returns.

The address of the registered office is Level 14, 31 Queen Street, Melbourne, VIC 3000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards (including Australian interpretations) adopted by the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for available-for-sale listed shares stated at fair value in note 13. The financial report is presented in Australian dollars.

The aggregate net fair value of recognised financial assets and financial liabilities are consistent with the carrying amounts in the statement of financial position.

(b) Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(c) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

(d) New accounting standards and interpretations

The consolidated entity has adopted all of the new and/or revised Accounting Standards and Interpretations issued by the AASB relevant to its operations and effective for annual reporting periods beginning on 1 July 2009.

Those adopted are

- AASB 3 - Business Combinations
- AASB 8 - Operating Segments
- AASB 101 - Presentation of Financial Statements
- AASB 127 - Consolidated and Separate Financial Statements
- AASB 2008-1 - Share-based Payments: Vesting Conditions and Cancellations
- AASB 2009-2 - Improving Disclosures about Financial Instruments

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the consolidated entity, its impact is described below:

AASB 101 – Presentation of Financial Statements
Adoption of AASB 101 has impacted the disclosures included in the financial statements. The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The consolidated entity has elected to present all items of recognised income and expense in one single Statement of Comprehensive Income.

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The consolidated entity has decided against early adoption of these standards. A discussion of those future requirements relevant to the consolidated entity and their impact follows:

Accounting Standards

AASB No.	**Title**	**Details of New Standard / Amendment / Interpretation**	**Issue Date**	**Operative Date (Annual reporting periods beginning on or after)**
9	Financial Instruments	This standard includes the requirements for the classification and measurement of financial assets resulting from Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement.	Dec 2009	1 Jan 2013
2009 – 5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The amendments affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	May 2009	1 Jan 2010
2009 – 8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	The amendments resolve diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 – Group and Treasury Share Transactions will be withdrawn from the application date.	Jul 2009	1 Jan 2010
2009 – 10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments.	Oct 2009	1 Feb 2010

AASB No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods beginning on or after)
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	June 2010	1 Jul 2013
2010 – 3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	The subjects of the principal amendments to the Standards are set out below: AASB 3 Business Combinations • Measurement of non-controlling interests • Un-replaced and voluntarily replaced share-based payment awards • Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 (2008)	June 2010	1 Jul 2010

AASB No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods beginning on or after)
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	The subjects of the principal amendments to the Standards are set out below: AASB 1 First-time Adoption of Australian Accounting Standards • Accounting policy changes in the year of adoption • Revaluation basis as deemed cost • Use of deemed cost for operations subject to rate regulation AASB 7 Financial Instruments: Disclosures • Clarification of disclosures AASB 101 Presentation of Financial Statements • Clarification of statement of changes in equity AASB 134 Interim Financial Reporting • Significant events and transactions Interpretation 13 Customer Loyalty Programmes • Fair value of award credits	June 2010	1 Jul 2011

Interpretations

Int No.	Title	Details of New Standard / Amendment / Interpretation	Issue Date	Operative Date (Annual reporting periods beginning on or after)
19	Extinguishing Financial Liabilities with Equity Instruments	This interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The interpretation deals with situations where either partial or full settlement of the liability has occurred.	Dec 2009	1 Jul 2010

The consolidated entity does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the consolidated entity's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Principles of Consolidation

A controlled entity is any entity over which Regal Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in note 23(d) to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(f) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(g) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the consolidated entity is Australian dollars (A$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the profit and loss account.

(h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 5 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

Intangible assets relate to UCTL rights and are recorded at cost less accumulated amortisation and impairment.

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(j) Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and:

- it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; and/or
- exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the profit and loss account.

(k) Joint ventures

The consolidated entity's share of jointly controlled assets, liabilities, income and expenses from joint venture operations are recognised in the financial statements.

Where part of a joint venture interest is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the consolidated entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farm-out continues to be carried forward without adjustment, unless the terms of the farm-out indicate that the value of the exploration expenditure carried forward is excessive based on the diluted interest retained or it is not thought appropriate to do so.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Recoverable amount of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment and intangible assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the Statement of Financial Position.

(n) Receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

(o) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets include listed shares reflected at fair value in note 13. Unrealised gains and losses arising from changes in fair value are taken directly to equity (except for impairment losses and foreign exchange gains and losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

(p) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(q) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(r) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(i) Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(s) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(t) Share-based payment transactions

The consolidated entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The consolidated entity has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including Directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Regal Resources Ltd (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled ("the vesting period"), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the profit and loss account is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being meet; and (iii) the expired portion of the vesting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payment transactions (continued)

The charge to the profit and loss account for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(u) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent adjusted for:

- (i) cost of servicing equity (other than dividends) and preference share dividends;
- (ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- (iii) other non-discriminatory changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

(w) Income tax

Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, expect where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit and loss account.

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Regal Resources Limited.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a separate taxpayer approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, intend to enter into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements will require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability / (asset) assumed. The inter-entity receivables / (payables) will be at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

(w) Income tax (continued)

The head entity in conjunction with other members of the tax-consolidated group, also intend to enter into a tax sharing agreement. The tax sharing agreement will provide for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

(y) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. As at 30 June 2010, no employee’s length of service had qualified for calculation of long service leave.

(iii) Superannuation

Contributions made by the consolidated entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the consolidated entity's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the consolidated entity. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes (which would impact the cost of mining), future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalise expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

ii) Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options granted is estimated at the date of the granting, using the Black-Scholes Option Pricing method, applying inputs relevant to the following parameters:

Grant Date
Exercise price
Expiry date
Number of options on issue
Exercise price
Time to maturity
Underlying share price
Expected share volatility
Risk – free interest rate
Dividend yield

The accounting estimates and assumptions relating to equity-settled share-based payments has an impact on the carrying amounts of investments held and loans to controlled entities in the parent entity and an impact on the carrying amounts of acquired exploration and intangible assets in the consolidated entity.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise receivables, payables, cash and short-term deposits and other financial assets. The consolidated entity manages its exposure to key financial risks in accordance with the consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets while protecting future financial security.

The main risks arising from the consolidated entity's financial instruments are market risk, credit risk and liquidity risk. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts. The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(a) Interest rate risk exposure

The consolidated entity's exposure to risks of changes in market interest rates relates primarily to the consolidated entity's cash balances. The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date. At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, before tax losses and equity would have been affected as follows:

	CONSOLIDATED	
	2010	**2009**
	$	**$**
Judgements of reasonably possible movements:		
Loss before income tax		
+ 1.0% (100 basis points) profit/(loss)	24,912	39,766
- 0.5% (50 basis points) profit/(loss)	(12,456)	(19,883)
Equity		
+ 1.0% (100 basis points)	24,912	39,766
- 0.5% (50 basis points)	(12,456)	(19,883)

The movements in losses are due to possible higher or lower interest costs from cash balances.

The sensitivity analysis above has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the period. A 0.5 to 1 percent increase or decrease in the interest rate is used and represents management's assessment of the possible change in interest rates and historically is within a range of rate movements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk exposure (continued)

Consolidated

	2010 Floating Interest Rate $	2009 Floating Interest Rate $	2010 Fixed Interest Rate $	2009 Fixed Interest Rate $	2010 Non Interest Bearing $	2009 Non Interest Bearing $	2010 Total $	2009 Total $
Financial Assets								
Cash	2,491,220	3,976,639	-	-	-	-	2,491,220	3,976,639
Receivables	-	-	141,309	130,517	259,993	328,699	401,302	459,216
Other financial assets	-	-	-	-	381,600	509,680	381,600	509,680
	2,491,220	3,976,639	141,309	130,517	641,593	838,379	3,274,122	4,945,535
Financial Liabilities								
Payables	-	-	-	-	418,946	188,277	418,946	188,277
	-	-	-	-	418,946	188,277	418,946	188,277

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk exposure

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the Statement of Financial Position represents the consolidated entity's maximum exposure to credit risk in relation to those assets.

The consolidated entity trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the consolidated entity's policy to securities it trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the consolidated entity does not have a significant exposure to bad debts. At 30 June 2010, there are no significant trade receivables and amounts predominantly relate to deposits or tax refunds due from the government.

There are no significant concentrations of credit risk within the consolidated entity.

(c) Equity price risk exposure

Equity price risk is the risk that changes in market equity prices will impact the consolidated entity's value of its holding of available-for-sale financial assets. The objective of equity price risk management is to manage and control risk exposure within acceptable parameters, while optimising the return.

(d) Liquidity risk

Trade payables mainly originate from expenses and the purchase of assets for ongoing operations such as property, plant, equipment, intangible asset development and exploration. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the consolidated entity monitors its expected settlement of financial assets and liabilities on an ongoing basis. There are no significant payables that are outstanding past their due date.

(e) Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes. Available-for-sale financial assets are recorded at fair value as disclosed for listed securities in note 13.

(f) Capital Risk Management

The consolidated entity's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide positive returns for shareholders and benefits for the stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital is currently defined as including issued capital, reserves and accumulated losses.

	CONSOLIDATED 2010 $	2009 $
5. LOSS BEFORE INCOME TAX		
(a) Revenue from continuing operations		
Interest income	82,764	36,169
Other income	9,219	12,088
	91,983	48,257
(b) Expenses		
Loss for the year includes the following specific expenses:		
Superannuation contributions	3,960	11,950
Loss on sale of assets	-	(10,590)
Loss on sale of tenements	(12,594)	(135,819)
Impaired exploration expenditure	(511,089)	(1,341,577)
Impaired intangible assets	(10,238,661)	-

6. INCOME TAX

The prima facie income tax on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	2010 $	2009 $
Loss from operations	(11,602,507)	(2,303,086)
Income tax benefit calculated at 30% (2009: 30%)	3,480,752	690,926
Tax effect of permanent differences	(422,315)	30
Research and development claim	309,953	135,237
Unused tax losses and temporary differences not recognised as deferred tax assets	(3,058,438)	(690,956)
Income tax attributable to operating loss	309,953	135,237

Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account:

	2010 $	2009 $
Tax losses – revenue	6,668,270	3,446,931
Temporary differences	2,700,609	117,022
Liabilities – exploration	(3,872,013)	(858,478)
	5,496,866	2,705,475

7. KEY MANAGEMENT PERSONNEL

The specified key management personnel of the consolidated entity during the year were:

* Angus Edgar – Managing Director (appointed 20 March 2009)
* Bretton Cooper – Non-Executive Director (appointed 16 June 2009)
* Rohan Gillespie – Non-Executive Director/Chairman (appointed 16 June 2009)
* Adrien Wing – Company Secretary (appointed 20 March 2009)
* Anthony Short – Non-Executive Director/Chairman (resigned 15 January 2010)

7. KEY MANAGEMENT PERSONNEL (continued)

Shareholdings – 2010

Number of shares held by Directors and Specified Executives

Directors	**Balance 1.7.09**	**Received as Remuneration**	**Options Exercised**	**Net Change Other (i)**	**Balance on Resignation**	**Balance 30.6.10**
Mr. Anthony Short	6,000,000	-	-	-	(6,000,000)	-
Mr. Angus Edgar	89,000,000	-	-	-	-	89,000,000
Mr. Bretton Cooper *	90,000,000	-	-	330,000	-	90,330,000
Mr. Rohan Gillespie *	90,000,000	-	-	330,000	-	90,330,000
Specified Executives						
Mr. Adrien Wing	-	-	-	-	-	-

(i) Net Change Other refers to shares purchased or sold during the financial year or recognised upon appointment.

* 90,330,000 shares are owned by Energy Infrastructure and Resources Ltd. The ownership of this company is held by interests associated with Mr. Gillespie (42% approximate holding) and Mr. Cooper (28% approximate holding).

Shareholdings – 2009

Number of shares held by Directors and Specified Executives

Directors	**Balance 1.7.08**	**Received as Remuneration**	**Options Exercised**	**Net Change Other (i)**	**Balance on Resignation**	**Balance 30.6.09**
Mr. Anthony Short	6,000,001	-	-	(1)	-	6,000,000
Mr. Angus Edgar	-	-	-	89,000,000	-	89,000,000
Mr. Bretton Cooper *	-	-	-	90,000,000	-	90,000,000
Mr. Rohan Gillespie *	-	-	-	90,000,000	-	90,000,000
Mr. Matthew Sullivan	2,000,001	-	-	-	(2,000,001)	-
Mr. Gordon Sklenka	6,500,001	-	-	-	(6,500,001)	-
Specified Executives						
Mr. Roland Berzins	300,000	-	-	1,201,204	(1,501,204)	-
Mr. David Ballantyne	-	-	-	-	-	-
Mr. Adrien Wing	-	-	-	-	-	-

(i) Net Change Other refers to shares purchased or sold during the financial year or recognised upon appointment.

* 90,000,000 shares are owned by Energy Infrastructure and Resources Ltd. The ownership of this company is held by interests associated with Mr. Gillespie (42% approximate holding) and Mr. Cooper (28% approximate holding).

7. KEY MANAGEMENT PERSONNEL (continued)

Option holdings

Number of options held by Directors and Specified Executives:

	2010	2009
Mr. Angus Edgar	75,487,200	75,487,200
Mr. Bretton Cooper *	45,000,000	45,000,000
Mr. Rohan Gillespie *	45,000,000	45,000,000

No Options were granted as remuneration during the year. Options were purchased or sold during the year or recognised upon appointment.
* 45,000,000 Options are owned by Energy Infrastructure and Resources Ltd. The ownership of this company is held by interests associated with Mr. Gillespie (42% approximate holding) and Mr. Cooper (28% approximate holding).

8. SHARE BASED ARRANGEMENTS

Employee Incentive option plan

The Company has an Employee Incentive Option plan for employees of the consolidated entity. In accordance with the provisions of the Scheme, as approved by shareholders in general meeting, the employees may be entitled to participate in the scheme at the sole discretion of the Directors.

Each option under the scheme converts into one ordinary share in the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option and the options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the Directors subject to the total number of outstanding options being issued under the Scheme at any one time not exceeding 5% of the Company's issued share capital.

The options may be for varying periods but expire immediately on dismissal, resignation or termination of the employee unless the Directors resolve otherwise.

Options

Options granted carry no dividend or voting rights and can have varied contractual lives. No Options were issued to employees during the year as part of their remuneration. The following table discloses the value of options which lapsed during the 2009 year.

		Options granted	Exercise price per share $	Value at grant date $	Value of Options included in remuneration in prior years $	Expiry date	% of total remuneration consisting of options
Executives							
Mr. P Peebles	2007	500,000	0.20	29,000	29,000	30/11/08	17.35
Mr. D Foster	2007	500,000	0.20	29,000	29,000	30/11/08	17.17

The following share based payment arrangements were in existence during the prior period:

Option Series	Number	Grant date	Expiry date	Exercise price (cents)	Fair value at grant date (cents)
Employee Incentive Option Plan (EIOP)					
Issued 15/06/07	1,000,000	15/06/07	30/11/08	20.0	5.8

8. SHARE BASED ARRANGEMENTS (continued)

	Number of options	Weighted Average Exercise price (cents)	Number of options	Weighted Average Exercise price (cents)
	2010		2009	
Balance at beginning of the financial year	-	-	1,000,000	20
Granted during the financial year	-	-	-	-
Cancelled during the financial year	-	-	-	-
Lapsed during the financial year	-	-	(1,000,000)	20
Balance at end of the financial year	-	-	-	-
Exercisable at end of the financial year	-	-	-	-

Share based payments

Refer to notes 18, 19 and 25 for details on equity issues for the acquisition of controlled entities and to settle liabilities during the 2009 and 2010 years as applicable.

	CONSOLIDATED	
9. AUDIT FEES	**2010**	**2009**
	$	**$**
Audit or review of the financial report, PKF (2009: Ord Partners)	32,000	50,192
Other services	-	-
	32,000	50,192
10. CASH AND CASH EQUIVALENTS		
Cash at bank	2,491,220	3,976,639
	2,491,220	3,976,639
11. RECEIVABLES		
CURRENT		
Sundry receivables	197,995	237,922
Other deposits	141,309	159,296
Deposit – former related party (note 23)	60,000	60,000
	399,304	457,218
NON-CURRENT		
Other receivables	1,998	1,998
	1,998	1,998
12. OTHER CURRENT ASSETS		
Prepayments	26,134	15,506
	26,134	15,506
13. FINANCIAL ASSETS - NON-CURRENT		
Listed shares, at fair value	381,600	509,680
	381,600	509,680

The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding expected transaction costs.

14. INTANGIBLES

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
UCTL project	-	6,089,066
W10 project	-	-
	-	6,089,066

Movement in carrying amounts

	2010 $	2009 $
Balance at the beginning of the financial year	6,089,066	-
UCTL rights acquired	-	5,999,954
Additional expenditure	3,869,509	89,112
Impairment expense	(9,958,575)	-
Carrying amount at end of the financial year	-	6,089,066
Balance at the beginning of the financial year	-	-
W10 rights acquired	175,000	-
Additional expenditure	105,086	-
Impairment expense	(280,086)	-
Carrying amount at end of the financial year	-	-

As at 30 June 2010, an assessment by the Directors of the current stage of the UCTL and W10 technology development and testing resulted in an impairment expense recorded for the current financial year.

15. PROPERTY, PLANT & EQUIPMENT

	2010 $	2009 $
Plant and equipment at cost	-	-
Less: accumulated depreciation	-	-
	-	-

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial year:

	2010 $	2009 $
Balance at the beginning of the financial year	-	66,700
Additions	-	609
Disposals	-	(49,790)
Depreciation expense	-	(17,519)
Carrying amount at end of the financial year	-	-

16. EXPLORATION AND EVALUATION

	CONSOLIDATED	
	2010	**2009**
	$	**$**
Exploration and evaluation expenditure	12,906,709	13,372,952

Movements in carrying amounts

Movement in the carrying amounts exploration and evaluation expenditure between the beginning and end of the current financial year:

	2010 $	2009 $
Balance at the beginning of the financial year	13,372,952	4,110,268
Additions	147,440	229,452
Exploration tenements acquired	-	10,510,629
Impairment of exploration expenditure	(511,089)	(1,341,577)
Sale of tenements	(102,594)	(135,820)
Balance at the end of the financial year	12,906,709	13,372,952

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the continuation of the consolidated entity's rights to tenure of the interests, results of future exploration and successful development or alternatively, sale of the respective areas of interest.

17. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Trade creditors	308,913	99,685
Accruals and other payables	110,033	88,592
	418,946	188,277

18. ISSUED CAPITAL

	2010 $	2009 $
640,080,187 (2009: 583,640,187) fully paid ordinary shares	27,915,428	25,506,390
	27,915,428	25,506,390

The Company has unlimited authorised capital with no par value.

	2010 No. of shares	**2009 No. of shares**
(i) Number of Shares		
At the beginning of the year	583,640,187	161,381,841
Shares issued during the year:		
27 February 2009	-	160,000,000
23 April 2009	-	148,200,000
29 May 2009	-	100,000,000
29 May 2009	-	14,058,346
23 April 2010	55,560,000	-
11 June 2010	880,000	-
At the end of the year	640,080,187	583,640,187

18. ISSUED CAPITAL (continued)

(ii) Issued Capital Movement

	CONSOLIDATED	
	2010	**2009**
	$	**$**
At the beginning of the year	25,506,390	10,674,292
Shares issued during the year:		
27 February 2009 – acquisition of WVE	-	6,400,000
23 April 2009 – capital raise @ $0.035	-	5,187,000
29 May 2009 – acquisition of Magma	-	3,500,000
29 May 2009 – settlement of liabilities	-	492,042
23 April 2010 – placement @ $0.045	2,500,200	-
11 June 2010 – share purchase plan @ $0.045	39,600	-
Transaction costs arising from capital raisings – options (note 19)	-	(360,472)
Transaction costs arising from capital raisings - cash	(130,762)	(386,472)
At the end of the year	27,915,428	25,506,390

19. RESERVES

Option premium reserves	6,796,907	6,232,074
Asset revaluation reserve	121,050	249,130
	6,917,957	6,481,204

a) Option premium reserves

318,006,346 (2009: 313,006,346) Options (ASX: REROB)	863,774	788,774
183,330,000 (2009: 170,000,000) Options (unlisted)	5,933,133	5,443,300
	6,796,907	6,232,074

i) Options movement

At the beginning of the year	6,232,074	236,302
6 October 2008 – prospectus issue @ $0.002	-	250,000
30 November 2008 – options expired (transfer to retained earnings)	-	(58,000)
27 February 2009 – acquisition of WVE	-	2,635,200
27 February 2009 – Westar Capital fees	-	1,317,600
29 May 2009 – acquisition of Magma	-	1,490,500
29 May 2009 – capital raising fees (note 18)	-	360,472
5 October 2009 – consulting fees	133,733	-
14 December 2009 – W10 project costs	75,000	-
2 March 2010 – consulting fees	356,100	-
At the end of the year	6,796,907	6,232,074

19. RESERVES (continued)

ii) Number of Options

Options – ASX Code	**REROA**	**Unlisted**	**REROB**	**Unlisted**	**Total**
Exercise Price	**20 cents**	**20 cents**	**6 cents**	**6 cents**	
Expiry Date	**30/11/08**	**30/11/08**	**6/11/11**	**17/03/14**	
Number as at 1 July 2008	21,108,145	1,000,000	-	-	22,108,145
Expired not exercised	(21,108,145)	(1,000,000)	-	-	(22,108,145)
Prospectus issue	-	-	125,000,000	-	125,000,000
Acquisition of WVE	-	-	-	80,000,000	80,000,000
Westar Capital fees	-	-	-	40,000,000	40,000,000
Placement (free attaching options)	-	-	148,200,000	-	148,200,000
Acquisition of Magma	-	-	-	50,000,000	50,000,000
Capital raising fees	-	-	25,748,000	-	25,748,000
Settlement of liabilities (free attaching options)	-	-	14,058,346	-	14,058,346
Balance as at 30 June 2009	-	-	313,006,346	170,000,000	483,006,346
Consulting fees	-	-	-	13,330,000	13,330,000
W10 project costs	-	-	5,000,000	-	5,000,000
Balance as at 30 June 2010	-	-	318,006,346	183,330,000	501,336,346

iii) Nature of reserves

The option premium reserves represent amounts for the future right to acquire shares at a pre-determined price.

b) Asset revaluation reserve

	2010	**2009**
	$	**$**
At the beginning of the year	249,130	-
Net change in fair value of available-for-sale instruments	(128,080)	249,130
At the end of the year	121,050	249,130

The asset revaluation reserve represents the cumulative net increase in the fair value of available-for-sale investments until the investment is derecognised.

20. LOSS PER SHARE

	2010	**2009**
Basic loss per share (cents per share)	(1.90)	(0.86)
Loss used in calculation of basic loss per share ($)	(11,292,554)	(2,167,849)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	594,036,899	250,879,011

Options outstanding at year end:

The options outstanding are not included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended 30 June 2010 and 2009.

21. COMMITMENTS AND CONTINGENT LIABILITIES

	CONSOLIDATED	
(a) Tenements	**2010**	**2009**
	$	**$**
No later than one year	41,187	701,867
Longer than one year, but not longer than five years	59,909	1,096,783
Longer than 5 years	-	140,166
	101,096	1,938,816

In the 2010 year, the consolidated entity has entered into agreements to farm-out immediate commitment requirements on a significant number of tenements held.

The consolidated entity intends to carry out expenditure on each project to meet Department of Industry and Resources commitments. Future funding and/or farm–out options will be considered on an ongoing basis to ensure the Consolidated entity has sufficient funds to comply with its commitments.

Subject to results obtained from such exploration as carried out, and ongoing assessment of each of the consolidated entity's projects, the consolidated entity may farm–out, or relinquish its rights to earn on any or all of its projects, thereby reducing the level of commitments disclosed above.

If the consolidated entity decides to relinquish certain leases and / or does not meet its obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of the carrying values. The sale, transfer and/or farm–out of explorations rights to third parties will reduce or extinguish these obligations.

(b) Royalties

Gold

The parent entity has numerous royalty agreements payable for gold production on Eucalyptus and Yerilla and some tenements at Mt. Zephyr, Mt. Korong and Kookynie.

Petroleum

In accordance with the terms of the purchase of Western Victorian Energy Pty Ltd, Eastern Star Limited has a right to receive a 2.5% royalty of any petroleum produced, saved or sold from the tenements EL4507 and EL4510.

On 29 May 2009, a Royalty Agreement was executed between Magma Oil Pty Ltd ("Magma") and EIR Royalties Pty Ltd ("EIR") whereby Magma is obligated to pay a 2% royalty to EIR of the wellhead value of all petroleum produced by Magma and any other sub-licences of the UCTL process, and 2% of net sales by Magma or any other sub-licences of products other than petroleum which is produced directly by the application of the UCTL process including hydrocarbon products, zeolite residues, excess seam and water. Mr Rohan Gillespie and Mr Brett Cooper are Directors of EIR and have a financial benefit in that entity.

On 15 March 2009, Forbes Oil & Gas Pty Limited ("Forbes") and Magma entered into a Licence Agreement whereby Magma is to pay Forbes 5% of the wellhead value of all petroleum produced by Magma and any other sub-licences of the UCTL process, and 5% of net sales by Magma or any other sub-licences of products other than petroleum which is produced directly by the application of the UCTL process including hydrocarbon products, zeolite residues, excess seam and water.

A royalty for W10 technology and other emerging "stranded" hydrocarbon deposits is payable to Forbes at 7.5% well head value for in situ applications and the lesser of 7.5% well head value and 10% of value-add for other aboveground applications.

21. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(c) Native Title Claims

Legislative developments and judicial decisions (in particular the uncertainty created in the area of Aboriginal land rights by the High Court decision in the “Mabo” and “Wik” cases and Native Title legislation) may have an adverse impact on the consolidated entity’s ability to fund those activities. It is impossible at the time to quantify the impact (if any) that these developments may have on the consolidated entity’s operations.

The consolidated entity is aware of Native Title claims in respect of ground in which the consolidated entity has an interest. It is possible that further claims could be made in the future. However, the consolidated entity cannot determine whether any current claims, if made, will succeed and, if so, what the implications would be to the consolidated entity.

(d) Stamp duty

Tenements associated with the acquisition of Eucalyptus projects are complete save for the receipt of stamp duty. This assessment is unable to be assessed due to royalty provisions associated with the tenement acquisition.

(e) W10 Technology

Further consideration of $250,000 is required to be paid to Forbes if one of the following occurs:

(i) The consolidated entity undertakes commercial application (other than in a demonstration project) of W10 and/or raises $5m for such purpose; or

(ii) The consolidated entity undertakes development of the licensed intellectual property (other than in a demonstration project) for application in carbonaceous or sedimentary oil fields.

(f) Bank Guarantees

Bank guarantees are in place as at 30 June 2010 amounting to $124,500.

22. SEGMENT INFORMATION

The consolidated entity's operations are predominantly within Australia and relate to the development of technology for an underground coal to liquids ("UCTL") and a separate hydrocarbon enhancement ("W10") process and also gold exploration.

	Gold Exploration		UCTL Technology		W10 Technology		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$
Revenue								
Segment Revenue	-	-	-	-	-	-	-	-
Unallocated Revenue							91,983	48,257
Total Revenue							91,983	48,257
Result from operations								
Segment Result	(511,089)	(2,185,742)	(10,003,750)	(3,300)	(280,086)	-	(10,794,925)	(2,189,042)
Unallocated Expenses							(807,582)	(114,044)
Result before tax							(11,602,507)	(2,303,086)
Income tax benefit							309,953	135,237
Consolidated net loss							(11,292,554)	(2,167,849)
Assets								
Segment assets	2,437,913	3,230,221	10,468,796	16,704,521	-	-	12,906,709	19,934,742
Unallocated assets							3,300,256	4,488,317
Total assets							16,206,965	24,423,059
Liabilities								
Segment Liabilities	(9,596)	(164,311)	(287,439)	(23,966)	-	-	(297,035)	(188,277)
Unallocated Liabilities							(121,911)	-
Total Liabilities							(418,946)	(188,277)
Other Segment Information								
Exploration expenditure	147,440	228,723	-	729	-	-	147,440	229,452
Capital expenditure	-	609	-	-	-	-	-	609
Depreciation	-	(17,519)	-	-	-	-	-	(17,519)
Impaired assets	(511,089)	(1,341,577)	(9,958,575)	-	(280,086)	-	(10,749,750)	(1,341,577)
Cash flow information:								
From operating activities	-	(1,094,665)	(45,175)	(5,521)	-	-	(45,175)	(1,100,186)
Unallocated							(378,307)	25,084
							(423,482)	(1,075,102)
From investing activities	(107,440)	(294,580)	(3,157,183)	(68,729)	(205,086)	-	(3,469,709)	(363,309)
Unallocated							17,987	(1,247,973)
							(3,451,722)	(1,611,282)
From financing activities	-	(30,784)	-	-	-	-	-	(30,784)
Unallocated							2,389,785	5,500,528
							2,389,785	5,469,744

23. RELATED PARTY DISCLOSURES

a) Key management personnel remuneration and equity holdings

A summary of key management personnel compensation is as follows:

	CONSOLIDATED	
	2010	2009
	$	$
Short-term employee benefits	278,800	282,645
Post employment benefits	3,960	11,950
	282,760	294,595

Refer to the Remuneration Report in the Directors' Report for detailed compensation disclosure on key management personnel. The company has taken advantage of the relief provided by the Corporations Regulation 2M.6.04 to transfer the detailed compensation disclosures on key management personnel to the Directors' Report.

Details of key management personnel equity holdings are disclosed in note 7 to the financial statements.

b) Loans to Key Management Personnel

No formal loans were extended to key management personnel.

c) Other transactions with related entities

The consolidated entity entered into transactions to/from related companies during the year. These companies are related due to both companies having common Directors.

	Year Ended 30 June 2010	Year Ended 30 June 2009
	$	$
Services provided to/(from) related entities of A Short:		
AAG Management Pty Ltd - interest	-	(2,171)
AAG Management Pty Ltd	(43,100)	-
Advance Energy Limited	-	(522)
AXG Mining Limited	-	1,000
AXG Mining Limited - interest	-	(7,059)
Palace Resources Limited	-	2,000
Palace Resources Limited	-	(12,560)
Balances receivable/(payable) as at the end of the year:		
AAG Management Pty Ltd – unsecured deposit	60,000	60,000
Services provided to/(from) related entities of A Edgar:		
Melbourne Capital Limited – capital raising fees - cash	(150,015)	(50,000)
Melbourne Capital Limited – capital raising fees - options	-	(132,821)
During the year Regal Resources received / (repaid) the following loans from related entities of A Short:		
AXG Mining Limited	-	465,000
AXG Mining Limited – share and option issues	-	(465,000)

During the year, the consolidated entity entered into a joint venture arrangement with Enhanced Biogenic Methane Limited ("EBM"), a company associated with Mr Rohan Gillespie and Mr Bretton Cooper. EBM has been granted an exclusive Australian licence to patented biogenetic methane enhancement (BME) technology from the Western Research Institute (WRI) of Wyoming, USA. No financial transactions occurred with EBM during the 2010 financial year.

23. RELATED PARTY DISCLOSURES (continued)

During the 2009 financial year, the parent entity purchased 127.2 million ordinary shares in Transol Corporation Limited at an issue price of $0.002 included in note 13. Mr Edgar is a director of Transol Corporation Limited. Mr Edgar abstained from the decision to acquire such shares. The shares were issued at arm's length being at the same price as a rights issue that Transol Corporation Limited was undertaking at the time.

The parent entity's 100% owned subsidiary, Magma Oil Pty Ltd entered into a management consulting agreement with Energy Infrastructure and Resources Ltd (EIR) for the management of the development of the Pilot Plant of the UCTL process. Both Mr. Bretton Cooper and Mr. Rohan Gillespie are Directors of EIR and have a financial interest in that entity. Fees paid under the terms of the management consulting agreement are undertaken at arm's length and at market rates. Fees incurred for the year amounted to $1,132,347 (2009: nil).

All transactions with related entities have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

d) Controlled Entities

The parent entity is Regal Resources Limited.

The consolidated financial statements include the financial statements of Regal Resources and the subsidiaries listed below:

Name	**Country of Incorporation**	**% Equity Interest**	
		2010	**2009**
Western Victoria Energy Pty Ltd	Australia	100	100
Magma Oil Pty Ltd (i)	Australia	100	100
MOL Gippsland Pty Ltd (ii)	Australia	100	-

(i) The ownership of Magma Oil Pty Ltd is held by Western Victoria Energy Pty Ltd.

(ii) Incorporated 12 October 2009.

(e) Parent Entity Information

	2010	**2009**
	$	**$**
Current assets	2,504,022	4,266,271
Total assets	15,860,948	24,402,393
Current liabilities	125,250	164,311
Total liabilities	125,250	164,311
Issued capital	27,915,424	25,506,390
Accumulated losses	(19,097,687)	(7,749,512)
Asset revaluation reserve	121,050	249,130
Options premium reserve	6,796,907	6,232,074
Total shareholders' equity	15,735,698	24,238,082
Loss of the parent entity	(11,348,175)	(2,164,549)
Total comprehensive loss of the parent entity	(11,476,255)	(1,915,419)

Refer also to note 21(d) and 21(f) for details on parent entity contingent liabilities.

24. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED	
	2010	**2009**
	$	**$**
Cash and cash equivalents	2,491,220	3,976,639
Cash and cash equivalents	2,491,220	3,976,639

	CONSOLIDATED	
(b) Reconciliation of loss to net cash from operating activities	**2010**	**2009**
	$	**$**
Loss for the period	(11,292,554)	(2,167,849)
Exploration written-off/impaired	511,089	1,341,577
Impaired intangible assets	10,238,661	-
Depreciation	-	17,519
Loss on sale of non-current assets	12,594	146,409
Provision for employee leave benefits	-	(66,684)
Changes in net asset and liabilities:		
Receivables	66,831	(447,394)
Other assets	(10,628)	11,248
Payables	50,525	90,072
Net cash used in operating activities	(423,482)	(1,075,102)

(c) Non-cash financing and investing activities

In the course of the 2010 financial year the following non-cash financing and investing activities occurred:

- Shares issued to settle liabilities at fair value of nil (2009: $492,042).
- Options issued to settle liabilities at fair value of $564,833 (2009: nil).
- Options issued to settle capital raising costs at fair value of nil (2009: $360,472).

25. ACQUISITION OF CONTROLLED ENTITIES

During the 2009 financial year the following controlled entities were acquired:

	Western Victoria Energy		Magma Oil		Total
Effective date of acquisition:	27 February 2009		29 May 2009		
		$		$	$
(a) Purchase consideration					
Shares issued (i)		6,400,000		3,500,000	9,900,000
Options issued (ii)		2,635,200		1,490,500	4,125,700
Broker fees (ii)		1,317,600		-	1,317,600
Acquisition costs		34,612		9,900	44,512
Cash payment		150,000		800,000	950,000
		10,537,412		5,800,400	16,337,812
(b) Assets & Liabilities Acquired	Fair Value	Book Value	Fair Value	Book Value	Fair value
	$	$	$	$	$
Cash & cash equivalents	448	448	491	491	939
Term Deposits	20,000	20,000	29,277	29,277	49,277
Other Receivables	6,337	6,337	45,678	45,678	52,015
Exploration tenements	10,510,629	49,844	-	-	10,510,629
Intangible UCTL rights			5,999,954	984,961	5,999,954
Loans	-	-	(275,000)	(275,000)	(275,000)
Other liabilities	(2)	(2)	-	-	(2)
	10,537,412	76,627	5,800,400	785,407	16,337,812
(c) Net Cash Effect					
Cash consideration paid		(184,612)		(809,900)	(994,512)
Net cash acquired		448		491	939
		(184,164)		(809,409)	(993,573)

25. ACQUISITION OF CONTROLLED ENTITIES (continued)

The companies acquired in 2009 did not meet the definition of a business at the date of purchase under Accounting Standard AASB 3 and accordingly have been accounted for as asset acquisitions rather than business combinations. Details of calculations for equity issues are disclosed below:

	Western Victoria Energy	**Magma Oil**
(i) Share Issues:		
Shares issued	160,000,000	100,000,000
Share price on recent market sales	$0.04	-
Share price on share placement	-	$0.035
(ii) Option Issues:		
Options Issued – purchase	80,000,000	50,000,000
Options Issued – broker fees	40,000,000	-
Option Value (Black-Scholes)	$0.03294	$0.02981
Exercise price	$0.06	$0.06
Expiry date	27 Feb 2014	27 Feb 2014
Share price at grant date	$0.04	$0.035
Expected volatility	125.78%	140.24%
Risk free interest rate	3.80%	4.67%

Options have been valued using the Black-Scholes Option pricing model not allowing for any possible future dividends or early exercise of the options. Expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

26. SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance, in a manner which is practical and efficient given the Company's size and operations.

The Company is pleased to advise that its practices are mostly consistent with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (2nd Edition)*. Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company has provided an explanation as to why it does not consider that the practices are appropriate for the Company.

To illustrate where the Company has addressed each of the Council's recommendations, the following table identifies each recommendation, clearly states whether the Company has adopted the recommendation and provides cross-references to the sections of this report addressing that recommendation. Where the Company has not adopted a recommendation, refer to the identified section of this report for the Company's reasons for not adopting that recommendation. The table does not provide the full text of each recommendation, but rather a summary of the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website.

Recommendation	Recommendation adopted?	Section
Principle 1 – Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the board and those delegated to senior Executives and disclose those functions.	Yes	1.1
1.2 Companies should disclose the process for evaluating the performance of senior Executives.	Yes	1.2
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	1.1, 1.2
Principle 2 – Structure the board to add value		
2.1 A majority of the board should be independent Directors.	No	2.1
2.2 The chair should be an independent director.	No	2.2
2.3 The Roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	2.3
2.4 The board should establish a nomination committee.	No	2.4
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.	Yes	1.2
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	1.2, 2.1, 2.2, 2.3, 2.4
Principle 3 – Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	3.1
3.2 Companies should establish a policy concerning trading in company securities by Directors, senior Executives and employees, and disclose the policy or a summary of that policy.	Yes	3.2

Recommendation	Recommendation adopted?	Section
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	3.1, 3.2
Principle 4 – Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee.	No	4.1
4.2 The audit committee should be structured so that it: • consists only of Non-executive Directors • consists of a majority of independent Directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	No	4.1, 4.2
4.3 The audit committee should have a formal charter.	No	4.1, 4.3
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	4.1, 4.2, 4.3
Principle 5 – Make timely and balanced disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	No	5.1
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	5.1
Principle 6 – Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	6.1
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	6.1
Principle 7 – Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	7.1
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	7.1, 7.2
7.3 The board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	7.3
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	7.1, 7.2, 7.3

Recommendation	**Recommendation adopted?**	**Section**
Principle 8 – Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee.	No	8.1
8.2 Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and senior Executives.	Yes	8.2
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	8.1, 8.2

The Board of Directors ("the Board") of the Company supports the establishment and ongoing development of good corporate governance policies that are compatible with the Company's size and which ensure an appropriate level of accountability to shareholders and other stakeholders.

A description of the Company's main corporate governance practices is set out below. It is also accessible at the Company's website – www.regalresources.com.au under the "Corporate" tag which has a sub heading for corporate governance. In August 2007, the ASX issued a revised set of corporate governance principles and recommendations intended to take effect from 1 July 2008.

The recommendations are not prescriptions and are intended as guidelines only. The Board has sought to apply the revised recommendations to the extent relevant to the Company's size and scale of operations.

Recommendation 1.1: Establish the functions reserved to the Board and those delegated to senior Executives and disclose those functions.

The Company's activities are currently not of a sufficient size nor are its affairs of such complexity to justify the employment of full-time management personnel. Accordingly, most of the functions of management are undertaken by consultants under the supervision of the Managing Director who is responsible for management activities under delegated authority of the Board. The functions specifically reserved for the full Board are as follows:

a) Setting and monitoring of objectives, goals and strategic direction with a view to maximising shareholder value, consistent with ethical behaviour and acceptable risk parameters;
b) Approving budgets and monitoring financial performance;
c) Identifying significant business risks and ensuring that these are appropriately managed;
d) Approval of any significant asset acquisitions or disposals;
e) Selection and appointment of new Directors; and
f) Appointment and removal of the Managing Director.

Recommendation 1.2: Disclose the process for evaluating the performance of senior Executives.

The performance of all Directors and senior Executives is reviewed at least annually. The Board evaluates the performance of the Managing Director and any other senior Executives having regard to such things as:

a) The responsibilities of the executive;
b) Performance against budget;
c) Any communicated key performance indicators; and
d) Qualitative as well as quantitative measures.

No Director or senior executive is involved with his or her own evaluation, and the remainder of the Board evaluates such parties without such parties being present.

A review of the performance of the Board, its Directors and senior Executives was carried out in June 2010, and was undertaken in accordance with the above policy.

Recommendation 2.1: A majority of the Board should be independent Directors.

The Company does not currently have a majority of Non-executive independent Directors.

Due to the Company's size and its specialised operations, the Board considers that a majority of independent Directors is not currently warranted. As the Company's activities expand, this policy will be reviewed with a view to aligning the Company's policies to conformity with this recommendation. The Board recognises that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.

The effectiveness of the Board is achieved through the Directors' knowledge and experience specific to the business and the industry in which the Company operates. Any Director may seek their own independent advice at the Company's expense to assist them in the performance of their duties to the Company and the shareholders.

The names and details of the experience of the Directors of the Company in office at the date of this Statement are set out in the Director's Report.

Recommendation 2.2: The Chairperson should be an independent director.

Mr Rohan Gillespie, the Non-Executive Chairman, is not an independent Director. Whilst the Board recognises that it is desirable for the Chairman to be an independent director, the Company's current early stage of development and size dictate that this is the most efficient mode of operation at the current time. The Board will review the appointment of an independent Chairperson should the Company's size and growth warrant this.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual.

The roles of the Chairman (Mr Rohan Gillespie) and the Managing Director (Mr Angus Edgar) are separate.

Recommendation 2.4: The Board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors and the identification of attributes required in new Directors. The Board as a whole also reviews Board succession plans, appointment and re-election of Directors and the process for evaluation of the performance of the Board, its members and senior Executives (as outlined under recommendation 1.2). Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.

Should the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual Directors.

See the comments under recommendation 1.2 above.

Recommendation 3.1: The Board establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the Company's integrity;**
- **the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders;**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company has adopted a Corporate Code of Conduct and a Code of Conduct for Executives, which can be accessed at the Company's website at www.regalresources.com.au under the "Corporate" tag which has the appropriate sub headings.

Recommendation 3.2: Establish a policy concerning trading in Company securities by Directors, senior Executives and employees, and disclose the policy or a summary of that policy.

The Company has adopted a Trading Policy which can be accessed at www.regalresources.com.au under the "Corporate" tag which has the appropriate sub heading.

Recommendation 4.1: The Board should establish an audit committee.

The Board has not established an audit committee to assist to ensure the truthful and factual presentation of the Company's financial position as it believes that, given the size of the Board, no efficiencies are derived from a formal committee structure. Notwithstanding the Non existence of the audit committee, ultimate responsibility for the integrity of the Company's financial reporting rests with the full Board. All items that would normally be dealt with by an audit committee are dealt with at Board meetings. Such matters include:

a) Establishment and review of internal control frameworks within the Company;
b) Review of the financial statements, annual report and any other financial information distributed to shareholders or other external stakeholders;
c) Review of audit reports and any correspondence from auditors, including comments on the Company's internal controls;
d) Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half year review; and
e) Monitoring compliance with the Corporations Act, ASX listing Rules and any other regulatory requirements.

Recommendation 4.2: The audit committee should be structured so that it:

- **consists only of Non-executive Directors;**
- **consists of a majority of independent Directors;**
- **is chaired by an independent Chairperson, who is not Chairperson of the Board;**
- **has at least three members.**

See comments under recommendation 4.1 above.

Recommendation 4.3: The audit committee should have a formal charter.

See comments under recommendation 4.1 above.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has adopted a continuous disclosure policy that requires all Directors, Officers and Executives to inform the Chairman, or in his absence the Company Secretary, of any potentially material information as soon as practicable after they become aware of that information. The Company does not currently have a formal written policy in place, but instead relies on the extensive experience of the Board and senior management to ensure ongoing compliance.

Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.

The Company has a policy for effective communication with shareholders which is available at the corporate governance statement on the Company's website at www.regalresources.com.au under the "Corporate" tag which has the appropriate sub heading.

Recommendation 7.1: Establish policies for the oversight and management of material business risk and disclose a summary of those policies.

The Company has established a policy for the oversight and management of material business risks which is available at the corporate governance statement on the Company's website at www.regalresources.com.au under the "Corporate" tag which has the appropriate sub heading.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Management has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks. The management of all business risks are the responsibility of the Board, and the Board believes the risk management and internal control systems designed and implemented by the Directors and the Chief Financial Officer (or equivalent) are adequate given the size and nature of the Company's activities. The Board requests management to report informally on the risk management and internal control system. Management also informally report to the Board regarding any additional risks that may have been identified, as well as reporting on matters that may have arisen from the Company's internal control procedures. The effectiveness of the Company's internal control systems are reviewed by the Board annually. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board receives such assurances prior to the release of the Company's full year and half year accounts.

Recommendation 8.1: The Board should establish a remuneration committee.

The Board considers that, based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee. The process for evaluating both Executives and Directors remuneration is explained under recommendation 1.2 above. There are no schemes for retirement benefits, other than superannuation for Non executive Directors.

Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors.

The structure of Executive and Non-Executive Directors' remuneration is detailed in the remuneration report, which forms part of the Directors' report in the annual report which is available at the Company's website.

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange (ASX) listing rules as at 17 August 2010

List of 20 largest shareholders

Ranking	Name	Shares Held	% of total shares
1	Energy Infrastructure & Resources Ltd	90,330,000	14.11
2	Serec Pty Ltd	74,000,000	11.56
3	Mr Stephen Mitchell	70,000,000	10.94
4	Corridor Nominees Pty Ltd	26,125,150	4.08
5	UBS Wealth Management Australia Nominees Pty Ltd	14,485,642	2.26
6	Mungala Investments Pty Ltd	14,000,000	2.19
7	Silksnow Pty Ltd	10,000,000	1.56
8	Martin Place Securities Staff Super Fund Pty Ltd	10,000,000	1.56
9	Kabila Investments Pty Ltd	9,533,333	1.49
10	Intermin Resources Ltd	9,347,631	1.46
11	Merriwee Pty Ltd	8,166,667	1.28
12	Ms Jeannette Mary Evans	8,110,000	1.27
13	Angora Lane Pty Ltd <Angora Lane P/L S/Fund A/c>	6,075,000	0.95
14	Formaine Pty Ltd	6,000,000	0.94
15	Fay Holdings Pty Ltd	6,000,000	0.94
16	Tyson Resources Pty Ltd	5,885,282	0.92
17	Clear Range Pty Ltd	5,000,000	0.78
18	Pylara Pty Ltd	5,000,000	0.78
19	AXG Mining Limited	4,857,142	0.76
20	Sixth Erra Pty Ltd	4,766,667	0.75
Total of top 20 Shareholders		**387,682,514**	**60.57**

Substantial Shareholders

Name	Shares held	% of total shares
Energy Infrastructure and Resources Limited	90,330,000	14.11
Serec Pty Ltd	74,000,000	11.56
Mr Stephen Mitchell	70,000,000	10.94

Distribution of shareholder's holdings

Ordinary shares held	Number of shareholders	Number of shares
1 – 1,000	56	6,760
1,001 – 5,000	14	51,941
5,001 – 10,000	126	1,168,502
10,001 – 100,000	615	27,999,676
100,001 and over	399	610,853,308
Total	**1,210**	**640,080,187**

Additional information required by the Australian Securities Exchange (ASX) listing rules as at 17 August 2010

List of 20 largest option holders

Ranking	Name	Options Held	% of total options
1	BlueBase Pty Ltd	17,500,000	5.50
2	Distinct Racing & Breeding Pty Ltd	13,000,000	4.09
3	AXG Mining Limited	12,738,142	4.01
4	Mungala Investments Pty Ltd	10,000,000	3.15
5	Serec Pty Ltd	10,000,000	3.15
6	Group #889120 Merill Lynch (Australia) Nominees Pty Ltd <Berndale a/c>	10,000,000	3.15
7	Kabila Investments Pty Ltd	9,533,333	3.00
8	Melbourne Capital Limited	9,487,200	2.98
9	Group #607174 UBS Wealth Management Australia Nominees Pty Ltd	9,350,000	2.94
10	Melbourne Capital Limited	9,000,000	2.83
11	Group #888894 Mesuta Pty Ltd	7,782,371	2.45
12	Mr Michael John Edgar	7,000,000	2.20
13	Angora Lane Pty Ltd <Angora Lane P/L S/Fund A/c>	6,430,000	2.02
14	Ms Jeannette Mary Evans	5,700,000	1.79
15	Mandevilla Pty Ltd	5,000,000	1.57
16	Forbes Oil & Gas Pty Ltd	5,000,000	1.57
17	Sixth Erra Pty Ltd <Staff Super Fund A/c>	4,766,667	1.50
18	Group #889343 Corridor Nominees Pty Ltd	4,428,572	1.39
19	Chalmsbury Nominees Pty Ltd <Black Account>	4,200,000	1.32
20	Group #607197 Gregorach Pty Ltd	4,050,000	1.27
Total of Top 20 Option Holders		**164,966,285**	**51.88**

Distribution of option holdings

Options held	Number of option holders	Number of options
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	43	3,313,908
100,001 and over	187	314,692,438
Total	**230**	**318,006,346**

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Company's share register as follows:

Advanced Share Registry Services Pty Ltd

Tel: +61 8 9389 8033
Fax: +61 8 9389 7871
Web: www.advancedshare.com.au

Electronic Announcements and Reports;

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

Removal from the Printed Annual Report mailing list

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

Change of name / address

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Stock Exchange Listing

The Company's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code RER.

Registered Office

The registered office of the company is:	Regal Resources Limited Level 14, 31 Queen Street MELBOURNE VIC 3000
Telephone	+61 3 8610 8633
Fax	+61 3 8610 8666
E mail	info@regalresources.com.au
Website	www.regalresources.com.au
Company Secretary	Adrien Wing

Mining Tenement Schedule

Project	Granted	Tenement	Blocks	Area (Ha)	Holders	Interest %
Mt Korong	Yes	P 39/4361		120	P. A. Wiltshire	100
	Yes	P 39/4362		120	P. A. Wiltshire	100
	Yes	P 39/4363		120	P. A. Wiltshire	100
	Yes	P 39/4366		125	P. A. Wiltshire	100
	Yes	P 39/4367		108	P. A. Wiltshire	100
	Yes	P 39/4368		120	P. A. Wiltshire	100
	Yes	P 39/4369		120	P. A. Wiltshire	100
	Yes	P 39/4370		119	P. A. Wiltshire	100
	Yes	P 39/4371		120	P. A. Wiltshire	100
	Yes	P 39/4372		112	P. A. Wiltshire	100
	Yes	P 39/4373		172	P. A. Wiltshire	100
	Yes	P 39/4374		197	P. A. Wiltshire	100
	Yes	P 39/4375		146	P. A. Wiltshire	100
	Yes	E 39/1196	41	12,340	Regal Resources Ltd	100
	Yes	E 39/1197	40	12,047	Regal Resources Ltd	100
Eucalyptus	No	M 39/480		200	M.J & M.J. Longman	100
	Yes	M 39/969		87	T. J. Dixon	90
	Yes	M 39/991		213	T. J. Dixon	90
	Yes	M 39/968		122	T. J. Dixon	90
	Yes	M 39/966		203	T. J. Dixon	90
	Yes	M 39/914		278	T. J. Dixon	90
	yes	M 39/1064		565	T. J. Dixon	90
	No	M 39/115		48.85	Eucalyptus Gold Mines PL	100
	Yes	M 39/292		6.11	Eucalyptus Gold Mines PL	100
	Yes	M 39/275		19.51	R. Garbutt	100
	No	P 39/565		292	R. M. McKnight	earning 90

Project	Granted	Tenement	Blocks	Area (Ha)	Holders	Interest %
Eucalyptus (cont.)						
	No	P 39/887		334	R. M. McKnight	earning 90
	No	P 39/881		303	R. M. McKnight	earning 90
	No	P 39/4622		122	T. J. Dixon	90
	No	P 39/4623		114	T. J. Dixon	90
	No	P 39/4624		121.31	R. M. McKnight	earning 90
	No	P 39/4625		181.3	R. M. McKnight	earning 90
	No	P 39/4626		126.14	R. M. McKnight	earning 90
	No	P 39/4627		159.03	R. M. McKnight	earning 90
	No	P 39/4628		186.8	R. M. McKnight	earning 90
	No	P 39/4629		152.3	R. M. McKnight	earning 90
	No	P 39/4630		106.9	R. M. McKnight	earning 90
	No	P 39/4631		192.81	R. M. McKnight	earning 90
	No	P 39/4632		150.8	R. M. McKnight	earning 90
	No	P 39/4633		182.43	R. M. McKnight	earning 90
	No	P 39/4634		117.1	R. M. McKnight	earning 90
	No	P 39/4635		158.05	R. M. McKnight	earning 90
	No	P 39/4636		160	T. J. Dixon & T. R. Faull	90
	No	P 39/4556		75.9	Regal Resources Ltd	100
	Yes	P 39/4317		8	Regal Resources Ltd	100
Mt Goose	No	P 39/9428		191.9	Regal Resources Ltd	100
	No	P 39/9429		160.5	Regal Resources Ltd	100
	No	P 39/9430		54.3	Regal Resources Ltd	100
	No	P 39/9431		185.2	Regal Resources Ltd	100
	No	P 39/9432		168.9	Regal Resources Ltd	100
	No	P 39/9433		156.9	Regal Resources Ltd	100
Mt Zephyr	No	P 39/964		604	Avoca Resources Ltd	100
	No	P 39/965		604	Avoca Resources Ltd	100
	No	P 39/4610		184.67	Avoca Resources Ltd	100
	No	P 39/4611		163.97	Avoca Resources Ltd	100
	No	P 39/4612		158.95	Avoca Resources Ltd	100
	No	P 39/4613		190.53	Avoca Resources Ltd	100
	No	P 39/4614		183.21	Avoca Resources Ltd	100
	No	P 39/4615		160.95	Avoca Resources Ltd	100
	No	P 39/4616		163.86	Avoca Resources Ltd	100

Project	Granted	Tenement	Blocks	Area (Ha)	Holders	Interest %
Menzies	Yes	M 29/14		102.8	Rox Resources Ltd	100
	Yes	M 29/88		35.2	Goongarrie Gold P/L	100
	Yes	M 29/153		989.63	Goongarrie Gold P/L	100
	Yes	M 29/154		345.3	Goongarrie Gold P/L	100
	Yes	M 29/184		640	Rox Resources Ltd	100
	Yes	M 29/212		923.55	Rox Resources Ltd	100
	No	M 29/223		15	Goongarrie Gold P/L	100
	No	M 29/225		581	Julia Gold P/L	100
	Yes	P 29/42		1	Regal Resources Ltd	100
	Yes	P 29/43		1	Regal Resources Ltd	100
	Yes	P 29/44		1	Regal Resources Ltd	100
Malcolm	Yes	M 37/1164		105	Liberty Gold NL	100